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DEPT FOR AF/E, AF/EPS, EB/IFD/OMA, AND A/S FRAZER  
USAID FOR AFR/AA KATE ALMQUIST, AFR/EA CARRIE THOMPSON AND  
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E.O. 12958: N/A

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SUBJECT: KENYA'S NATIONAL RECONCILIATION AND EMERGENCY SOCIAL AND  
ECONOMIC RECOVERY STRATEGY.

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11. Summary: On March 17, 2005, the Grand Coalition Government of Kenya (GCG) unveiled the National Reconciliation and Emergency Social and Economic Recovery Strategy. This strategy paper, which has been transmitted as an e-mail attachment to State/AF/E and USAID/AFR/EA, presents actions that the GCG will take to ameliorate the effects of post election violence on the economy. The strategy will be implemented during March - June 2008 and covers: (a) security, peace building and reconciliation; (b) resettlement of internally displaced persons; (c) revitalization of productive sectors - agriculture, tourism and business; (d) restoration of damaged infrastructure; and (e) positive engagement of the youth. The total cost is KSh31.47 billion (approximately \$500 million). The Government has re-allocated KSh1.25 billion and the current shortfall is KSh30.22 Billion. The GCG is looking to secure funding and in-kind support from the private sector, international and domestic PVOs/NGOs, and the donor community to fill this financial gap. At the meeting, the Ambassador indicated that the U.S. has already pledged \$25 million in new funding. End summary.

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Background/Context  
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12. Kenya held the fourth multiparty general election on December 27, 2007. The dispute that followed the announcement of the results of that election by the Electoral Commission of Kenya (ECK) on December 30, 2007, quickly degenerated into an unprecedented seven-week long spate of violence in Coast, Nairobi, Nyanza, Rift Valley and Western Provinces. The conflict led to an estimated loss of 1,200 lives, dislocation of more than 300,000 people or Internally Displaced Persons (IDPs), destruction of property, heightened ethnic hatred, and a general disruption of social and economic life. An additional 50,000 IDPs are estimated to have been dislocated and are housed by friends, relatives or have relocated to their ancestral homes.

13. The signing of the National Accord and Reconciliation Agreement between President Mwai Kibaki and ODM leader Raila Odinga on February 28, 2008 marked a turning point in the post-election conflict. The agreement paved the way for the restoration of peace and security in the country and a return to normalcy in all spheres of the society and economy.

14. The two leaders established a 10-member committee from PNU Coalition and the ODM to look into the political, economic, and social challenges facing the country, including post-election conflict and recommend policies and programs for economic recovery.

At its first meeting on March 10, 2008, the Committee adopted the name the National Accord Implementation Committee (NAIC).

¶15. The NAIC decided that the development of an emergency recovery program would be its first priority. This program is to be implemented in the period to June 30, 2008. Subsequent activities of the Committee were prioritized as development of the GCG policy guidelines and formulation of short, medium, and long term development strategies.

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The Recovery Agenda  
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¶16. Kenya has achieved significant economic growth since the 2002 general elections. The economic growth rate rose steadily from 0.6 percent in 2002 to nearly 7.0 percent in 2007. Progress has also been made towards the realization of the Millennium Development Goals (MDGs) with poverty declining from 56% in 2000 to 46% in 2006. The introduction of the free primary education in 2003 has led to an increase in total primary school enrollment from 6.1 to 7.8 million. These impressive gains, however, are jeopardized by the post-election crisis. The Government's proposed plan is to expedite the implementation of projects under this strategy to minimize bureaucratic bottle-necks. This includes fast-tracking of procurement of goods and services without circumventing existing laws and regulations.

¶17. The Strategy is divided into four parts that correspond to the issues the NAIC agreed would require emergency interventions for recovery. These include:  
(a) National Reconciliation, Peace Building and Security;  
(b) Resettlement of Internally Displaced People;  
(c) Revitalization of Key Economic Sectors; and  
(d) Positive Engagement of the Youth.

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National Reconciliation, Peace Building and Security  
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¶18. The post-elections conflict severely impacted the economy and threatened the momentum of the social and economic gains of the last few years. The disruption of economic activities, especially farming, tourism and commerce, have contributed to reductions in employment and incomes. Private and public property (buildings, schools, public offices, motor vehicles, roads and railway lines were destroyed. Most importantly, a heightened negative ethnicity threatened the survival of Kenya as a nation.

¶19. The GCG is committed to develop a pragmatic and all-inclusive national reconciliation and peace building program that will promote a renewed harmonious co-existence of Kenyans. The National Reconciliation and Peace Building Program will be national in scope with activities in all districts and constituencies. Civil society organizations and non-state actors will be encouraged to partner with the government in developing effective reconciliation and peace building programs. The Government will put in place suitable structures to provide the requisite synergy among the key players including provincial administration, private sector, civil society, media, community based organizations, non-governmental organizations, popular artists and musicians, athletes and faith-based organizations. Activities to be implemented include: joint reconciliation and peace rallies, music as a tool for reconciliation and development, media advertisements and guest appearance; legal measures to deter future occurrence; and the scaling up safety measures.

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Resettlement of Internally Displaced Persons (IDPs)  
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¶10. The post-election crisis threw Kenya into a period of unprecedented uncertainty that created a large number of IDPs. Government estimates that as of February 19, 2008, there were at

least 301,000 in camps across the country and additional 50,000 who have been housed by friends, relatives, or relocated to their ancestral home. The strategy notes that different categories of IDPs will require different interventions that include securing abandoned land/house for safe return, survey, demarcation and allocation of land, relocation, integration, and compensation.

¶11. The GCG would like to resettle and reintegrate IDPs as quickly as is safely possible. It plans to establish the Government Resettlement and Reintegration Committee within the Ministry of State for Special Programs. Peace building and reconciliation is envisioned that will be led by the two key principal leaders (Kibaki and Odinga) as well as political and opinion leaders of the affected communities, the provincial administration, churches, community based organizations, teachers, youth groups, women groups, persons with disabilities, etc. The Resettlement and Reintegration Program will include the following components in order of priority: security, shelter, food aid, social services, and revitalization of economic activities.

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Revitalization of Key Economic Sectors  
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¶12. The Agricultural Sector. Post-election violence impacted negatively on the agricultural sector. The most affected areas are Rift Valley, Western and Nyanza provinces where many farmers have either been directly or indirectly affected through the destruction of food stocks in the stores, crops in the field, displacement of farm families and destruction of infrastructure. Transport services were also disrupted thus affecting the delivery of both agricultural inputs and outputs. As a result of the violence, land preparation is lagging. The cost of farm inputs and land preparation has also escalated beyond affordable levels. The Government makes the case for short-term assistance to the affected families to mitigate future food shortages. The anticipated assistance will be in the form of (a) provision of maize seeds; (b) provision of fertilizers; (c) intensification of extension services; (d) assistance for land preparation and planting; and (e) rehabilitation of Agricultural Society of Kenya (ASK) show grounds in Nakuru occupied by IDPs.

¶13. The Tourism Sector. Since the onset of post-election violence, tourism practically collapsed as a result of the negative publicity in the global media. Projections by the Kenya Tourist Board indicate that the sector has been losing KShs 5.5 Billion per month for January/February. Under the first phase of the Strategy, Kenya will be re-branded as a safe destination. The second phase of the recovery will be part of a wider marketing campaign to include: (a)

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re-branding of Kenya in overseas markets; (b) request to countries that have imposed travel advisories to remove them; (c) Suspension of programmed increment of park fees by the Kenya Wildlife Service for the entire; (d) hotels, airlines and tour operators will be encourage to offer discounts to attract customers; and (e) security will be enhance on critical tours routes such as those leading to game parks and tourist police force will be strengthened.

¶14. Livestock and Fisheries Development. The post election violence has caused losses of K Shs 1.11 Billion - mostly in Nyanza and Rift Valley Provinces. Losses included destruction of government and private assets, loss of livestock, non-collection of revenue and reduce production and service delivery. Plans to revitalize livestock and fisheries sectors include: (a) vaccination of livestock in affected areas (Rift Valley, Western, North Eastern and Nyanza Provinces.); (b) assistance to 4,000 fisher folk (Lake Victoria and Lake Naivasha) for losses incurred due to destruction/loss of fishing equipment; (c) assistance to livestock and poultry farmers in restocking especially in greater Trans Nzoia District, Western and Nyanza Provinces; (f) assistance in provision of animal feeds to IDPs; and (e) restocking of government breeding farms.

¶15. Small Businesses. One of the most affected sectors of the economy is the Micro and Small Enterprises (MSEs) that include both the formal and informal sub-sectors. Micro and small businesses

were burnt, looted and/or destroyed in Nairobi, Eldoret, Nakuru, Kisumu, Mombasa and Naivasha. In addition, the post-election violence led to displacement of human capital from their work stations. There has also been a disruption of access to raw materials and supply of goods and services. It is estimated that business enterprises in urban centers lost about 30 billion shilling in the form of property and capital as a result of post-election violence. It is further estimate that business losses in rural areas amounted to KShs 60 billion. The strategy include interventions to: (a) increase security, highway patrols, and community policing/reporting mechanisms; (b) Assistance to small businesses to re-build business premises, provision of working capital for cases not covered by insurance, restock of raw material and restoration of supply and distribution networks.

¶16. Infrastructure. The Government is currently undertaking an in-depth review to establish an appropriate rehabilitation budget. Emergency funds are, however, needed to repair damaged bridges, culverts, railway lines, roads, water supplies, and sanitation facilities.

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Positive Engagement of the Youth  
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¶17. There are 11 million youth between the ages of 18 and 35 years. Youth play a vital role in shaping the present and the future of all societies. The post-election events have shown that having large numbers of relatively well educated, but unemployed, youth is a serious deterrence to economic growth and a real threat to national security. Those primarily involved in the post-election violence were youth. The Government will prioritize immediate livelihood needs of the youth particularly those who lost the business premises and tools by re-establishing them to back to their former status. The Government will also undertake the following initiatives as a means of creating youth employment opportunities: (a) construction, maintenance and repair of road in rural areas; (b) reconstruction of burnt houses, public utilities and in the resettlement of displace people; (c) planting trees under the "Trees for Jobs Programme"; (d) environment sustainability through water conservation measures; (e) peace building an reconciliation initiatives; and(f) additional recruitment of 4000 youth to the National Youth Service.

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The Donor Response to the Recovery Strategy  
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¶18. Individual donor responses vary widely. In general, there has been a strong appreciation that in preparing this document, the GCG is being forced to work together for the national good. The exchange between senior PNU and ODM officials at the unveiling was very healthy and collegial. Both sides clearly had a sense of ownership of the document and were committed to its realization. Given the short preparation time, the document is well-conceived comprehensive, and generally consistent with our field-based knowledge. The strategy does, however, have some serious flaws.

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First, the document is static rather than dynamic in that it assumes resettlement of 350,000 IDPs in the next three months, which is not realistic. While the text of the document notes that the different types of IDPs will have different requirements, this is not reflected in the budget. The budget also includes line items that may be more appropriately funded within the actual budget as opposed to a supplemental request. Finally, many of the budget parameters appear to be unsupported by current costs. The strategy is also limited in that it does not address program implementation mechanisms and modalities.

¶19. For these reasons, the donor community is unwilling to give the Government carte blanche to implement the program. Rather, the donors plan to respond as true development partners working in collaboration with each other, the government, NGOs and private sector partners to facilitate the transition. The donor community

notes the time-sensitivity of the resettlement issue, but also recognizes that resettlement cannot occur in isolation. It must be linked to addressing the underlying causes of the conflict - poverty, inequality, corruption, land injustices, youth unemployment and others. Many in Kenya's civil society are concerned that if donors respond to the recovery strategy without addressing these underlying causes, we will be setting a dangerous precedent that provides short-term superficial solutions, which may undermine resolution of the underlying issues.

¶20. At the meeting, the Ambassador made clear the U.S. commitment to assist Kenya recover from the crisis and to support implementation of the political accord. The Ambassador reviewed the support humanitarian and other support we are already providing, and indicated that the U.S. has pledged \$25 million in additional support.

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Comment  
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¶21. The National Reconciliation and Emergency Social and Economic Recovery Strategy is the Grand Coalition Government's effort to accelerate Kenya's recovery process. While there are significant short-comings in the strategy, the Coalition's leadership and commitment to nation-building is most welcome. As we review the USG's recovery plans, we find that our plans are fully consistent with the interventions proposed within the strategy. We are also confident that we will be able to develop implementation modalities/mechanisms in a coordinated fashion that will ensure our efforts contribute to the overall objectives of the recovery strategy.

¶22. We share the concern of civil society and some other donors that recovery activities cannot be distanced from addressing the underlying factors of the conflict. We will strive to find the appropriate balance to ensure that the underlying causes are actively addressed while simultaneously encouraging a responsible and timely recovery.  
Ranneberger